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AZ CORP COMMISSION
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DYNEGY

February 27, 2002

VIA OVERNIGHT MAIL

Docket Control Center
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Arizona Corporation Commission
DOCKETED

FEB 28 2002

Re: Dynegy Energy Services, Inc, Docket no. E-04072A-01-0988

DOCKETED BY	<i>mac</i>
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Dear Sir or Madam;

In response to the US West Case II Decision and the January 29, 2002 correspondence from the Commission to Dynegy Energy Services, Inc. ("DES") (the "Correspondence"). DES hereby responds as follows:

The following is in response to item 1 and 2 of the Correspondence; the projected total revenue for the first twelve months to provided service to Arizona customers by DES following certification, adjusted to reflect the maximum rate in its proposed tariff; and he projected operating expenses for the first twelve months to provide service to Arizona customers by DES:

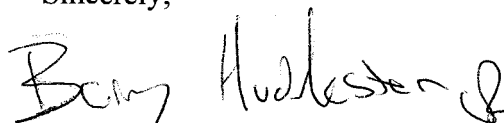
cuff probability of achieving MW targets listed	Potential DES end-use load in AZ deregulated energy market after one year of prospecting - MW	volume (assume it takes a 1/2 year to contract with a customer, and the first year encompasses 2002 only) - MWh	revenue adjusted to reflect max rate	estimated associated operating expenses
50%	0		\$	\$-
25%	10	29,200	\$730,000,000	\$657,000,000
10%	20	58,400	\$1,460,000,000	\$1,314,000,000
10%	30	87,600	\$2,190,000,000	\$1,971,000,000
5%	50	146,000	\$3,650,000,000	\$3,285,000,000

Please note; At this point in time DES has a low expectation for success in this market. However, as we become more familiar with the rules and create ways to provide value to end-users of retail electricity we hope to find more success.

In response to item 3 of the Correspondence, since Dynegy Energy Services will market to end-users in AZ out of regional offices in other states (or through a consulting arrangement), our operations personnel are located in Houston, and currently our DES affiliate assets are in Nevada and California (power assets) we believe the correct response to the book value of all AZ jurisdictional assets (for DES retail electric business) is effectively \$0.

If you have any question regarding this matter please feel free to call me at 713-507-6786.

Sincerely,

A handwritten signature in dark ink, appearing to read "Barry Huddleston", followed by a stylized flourish or initial.

Barry Huddleston
Sr. Director, Market Structure